

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 03996 171508Z

50

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 SAM-01 DRC-01

/170 W

----- 042151

R 171352Z SEP 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 540

INFO AMCONSUL OPORTO

LIMITED OFFICIAL USE LISBON 3996

E.O. 11652: N/A

TAGS: EFIN, PO

SUBJ: INTERNATIONAL STANDBY CREDIT

REF: LISBON 3196

1. GOVERNMENT COMMUNIQUE ANNOUNCED THAT ON AUGUST 16
GOP SIGNED A CONTRACT FOR A STANDBY CREDIT OF DOLS 150
MILLION WITH A GROUP OF INTERNATIONAL BANKS HEADED
BY CITICORP INTERNATIONAL BANK AND MORGAN GUARANTY
TRUST COMPANY. CONTRACT PERIOD RUNS FOR FIVE YEARS,
DURING FIRST THREE OF WHICH GOP CAN DRAW DOWN CREDIT
AT WILL.

2. COMMUNIQUE MINIMIZED THE POSSIBILITY THAT PORTUGAL,
WHICH HAS STRONG EXCHANGE RESERVES AND A SMALL EXTERNAL
DEBT, WOULD HAVE TO HAVE RECOURSE TO THE CREDIT. IT
ALSO EMPHASIZED SIGNING OF LOAN "ESTABLISHES A
PORTUGUESE PRESENCE IN FOREIGN CAPITAL MARKETS, THUS
OPENING PERSPECTIVES FOR FUTURE OPERATIONS."

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LISBON 03996 171508Z

3. LEADING MORNING DAILY, DIARIO DE NOTICIAS, GAVE FRONT PAGE HEADLINES TO COMMUNIQUE, DESCRIBING THE CREDIT AS OF REMARKABLE IMPORTANCE BECAUSE IT DEMONSTRATED THAT INTERNATIONAL BANKING HAS FAITH BOTH IN THE DEMOCRATIC PROCESS UNFOLDING IN PORTUGAL AND IN THE PORTUGUESE ECONOMY. OTHER PAPERS ALSO GAVE SIGNING OF CONTRACT FRONT PAGE TREATMENT. COMMUNIQUE NOTED THAT CREDIT WAS FIRST LOAN NEGOTIATED BY GOP "SINCE THE RESTORATION OF DEMOCRATIC INSTITUTIONS IN PORTUGAL."

4. COMMENT: A. GOP OFFICIALS HAD HOPED THAT PUBLIC WOULD SEE CREDIT CONTRACT AS EVIDENCE OF EFFECTIVE GOVERNMENT ACTION IN THE ECONOMIC SPHERE. AS FAR AS PRESS PLAY IS CONCERNED, THAT HOPE HAS BEEN IN LARGE PART REALIZED.

B. SECRETARY OF STATE OF ECONOMIC PLANNING RECENTLY INFORMED US GOP WOULD POSSIBLY DRAW DOWN PART OF CREDIT IN LATE 1974 TO MAKE END OF YEAR ACCOUNTS LOOK BETTER AND WOULD REPAY CREDIT EARLY IN 1975 SO THAT COST OF USING IT WOULD BE MINIMAL. HE AND OTHERS IN GOP SEE STANDBY AS VALUABLE MORE FOR ATMOSPHERICS THAN AS AN ANSWER TO A PRESSING ECONOMIC NEED.

C. EMBASSY WORKED CLOSELY WITH CITIBANK AND MORGAN REPRESENTATIVES WHO DEVELOPED CREDIT PROPOSAL. SIGNING OF AGREEMENT INDICATES THAT CITIBANK AND MORGAN HAVE SUCCESSFULLY MARKETING WITH OTHER U.S. BANKS DOLLARS 100 MILLION BALANCE NOT SUBSCRIBED BY THEM. GOP OFFICIALS FAMILIAR WITH TRANSACTION HAVE UNDOUBTEDLY TAKEN FAVORABLE NOTE OF FACT U.S. BANKS RAPIDLY SUBSCRIBED THIS CREDIT WHILE EUROPEAN BANKS ARE STILL HOLDING BACK ON SUBSCRIPTION TO COMPANION CREDIT. WIDER PORTUGUESE PUBLIC WILL HOPEFULLY INTERPRET CREDIT AS VOTE OF CONFIDENCE IN NEW PORTUGAL BY AMERICAN FINANCIAL COMMUNITY. SCOTT

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTERNATIONAL LAW, BANK LOANS, CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON03996
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740260-0530
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740939/aaaabhcd.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: LISBON 3196
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by rowelle0>; APPROVED <06 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL STANDBY CREDIT
TAGS: EFIN, PO, US, MORGAN GUARANITY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005